caused the Agency a loss by receiving debt forgiveness on all or a portion of any direct or guaranteed loan made under the authority of the CONACT by debt write-down or write-off; compromise, adjustment, reduction, or charge-off under the provisions of section 331 of the CONACT; discharge in bankruptcy; or through payment of a guaranteed loss claim.

(ii) The applicant may receive a direct OL loan to pay annual farm and ranch operating and family living expenses, provided the applicant meets all other requirements for the loan, if the applicant and anyone who will execute the promissory note:

(A) Received a write-down under section 353 of the CONACT;

(B) Is current on payments under a confirmed reorganization plan under chapter 11, 12, or 13 of title 11 of the United States Code; or

(C) Received debt forgiveness on not more than one occasion after April 4, 1996, resulting directly and primarily from a Presidentially-designated emergency for a county or contiguous county in which the applicant operates. Only applicants who were current on all existing direct and guaranteed FSA loans prior to the beginning date of the incidence period of a Presidentially-designated emergency and received debt forgiveness on that debt within three years after the designation of such emergency meet this exception.

(12) Not be delinquent on any non-tax Federal debt or FSA guaranteed debt. This restriction will not apply if the Federal delinquency is cured on or before the loan closing date. This eligibility restriction applies to the entity and all of its members.

(c) *Borrower training.* Except for applicants for youth loans, all applicants must agree to meet the training requirements of § 1924.74 of subpart B of part 1924 of this chapter unless a waiver is granted in accordance with that section. In the case of an entity, any individual member holding a majority interest in the operation or who is operating the farm must agree to complete the training or qualify for the waiver on behalf of the entity. However, if one entity member is solely responsible for financial or production management, then only that entity member will be required to complete the training in that area for the entity or qualify for a partial waiver. If the financial and production functions of the farming operation are shared, the knowledge and skills of the individual(s) with the responsibility of production and/or financial management of the operation will be considered in the aggregate for granting a waiver or requiring that training be completed. If a waiver is not granted, these individuals will be required to complete the training in accordance with their responsibilities. If the applicant has previously been required to obtain training, the applicant must be enrolled in and attending, or have satisfactorily completed, the training required.

[53 FR 35684, Sept. 14, 1988, as amended at 55 FR 21527, May 25, 1990; 56 FR 3971, Feb. 1, 1991; 58 FR 69199, Dec. 30, 1993; 62 FR 9354, Mar. 3, 1997; 62 FR 28618, May 27, 1997; 68 FR 7697, Feb. 18, 2003; 68 FR 62223, Nov. 3, 2003; 69 FR 5262, Feb. 4, 2004]

### § 1941.13 Rural youth.

If otherwise eligible, a rural youth who applies for an OL loan must be recommended by a project advisor such as a 4–H club advisor, vocational teacher, home economics teacher, county extension agent, or other organizational sponsor or advisor. In addition, a youth who has not reached the age of majority under State law must obtain a written recommendation from a parent or guardian. All recommendations will be filed with the application in the borrower's case file.

### §§ 1941.14–1941.15 [Reserved]

### § 1941.16 Loan purposes.

An applicant who obtained a write-down under direct or guaranteed loan authorities is restricted to the purposes listed under paragraphs (c), (g), and (h) of this section. An applicant who qualifies for a Low-Documentation operating loan under § 1910.4(c)(1)(iii)(A) of subpart A of part 1910 may use loan funds for all authorized loan purposes except paragraph (i) of this section. An applicant who qualifies for a Lo-Doc loan under § 1910.4(c)(1)(iii)(B) 7 CFR may only use the loan funds for purposes listed under paragraphs (c) and (h) of this section.

All other eligible applicants may request OL funds for any of the following purposes:

(a) Payment of costs associated with reorganizing a farm or ranch to improve its profitability.

(b) Purchase of livestock, including poultry, and farm or ranch equipment, including quotas and bases, and cooperative stock for credit, production, processing or marketing purposes.

(c) Payment of annual operating expenses, examples of which include, but are not exclusively limited to feed, seed, fertilizer, pesticides, farm or ranch supplies, cooperative stock, and cash rent.

(d) Payment of costs associated with land and water development for conservation or use purposes.

(e) Payment of loan closing costs.

(f) Payment of costs associated with complying with Federal or State-approved standards under the Occupational Safety and Health Act of 1970 (29 U.S.C. 655 and 667). This purpose is limited to applicants who demonstrate that compliance with the standards will cause them substantial economic injury.

(g) Payment of training costs required or recommended by the Agency.

(h) Payment of farm, ranch, or home needs, including family subsistence. A portion of the loan is available to the borrower for use outside of a supervised bank account. This portion is the lesser of:

(1) 10 percent of the OL loan;

(2) $5,000; or

(3) The amount needed to meet the subsistence needs of the family for a 3-month period.

(i) Refinancing debts if the applicant has had direct or guaranteed OL loans refinanced (refinanced does not mean restructured) 4 times or less and one of the following conditions is met:

(1) The need for refinancing was caused by a qualifying disaster declared by the President or designated by the Secretary; or

(2) The debts to be refinanced are owed to a non-USDA creditor.

[62 FR 9354, Mar. 3, 1997; 62 FR 28618, May 27, 1997, as amended 66 FR 1573, Jan. 9, 2001]

## § 1941.17 Loan limitations.

An OL loan will not be approved:

(a) If the total outstanding insured OL principal balance, including the new loan, owed by the applicant will exceed $200,000 at loan closing.

(b) If the total outstanding youth loan principal balance will exceed $5,000 at loan closing.

(c) For the purchase of real estate, making principal payments on real estate, or refinancing of any debts incurred for the purchase of real estate.

(d) For any purpose that will contribute to excessive erosion of highly erodible land or to convert wetlands to produce an agricultural commodity as further explained in exhibit M of subpart G of part 1940 of this chapter. Refer to subpart LL of part 2000 of this chapter, ''Memorandum of Understanding Between FmHA or its successor agency under Public Law 103–354 and the U.S. Fish and Wildlife Service,'' for assistance in implementation.

(e) If the purpose of the loan is to finance a nonfarm enterprise.

[53 FR 35684, Sept. 14, 1988, as amended at 58 FR 48286, Sept. 15, 1993; 62 FR 9354, Mar. 3, 1997; 68 FR 62224, Nov. 3, 2003]

## § 1941.18 Rates and terms.

(a) *Rates.* Upon request of the applicant, the interest rate charged by the Agency or its successor agency under Public Law 103–354 will be the lower of the interest rates in effect at the time of loan approval or loan closing. If an applicant does not indicate a choice, the loan will be closed at the interest rate in effect at the time of loan approval. Interest rates are specified in exhibit B of the Agency Instruction 440.1 (available in the Agency or its successor agency under Public Law 103–354 office) for the type of assistance involved. A lower rate may be established for a limited resource applicant subject to the following:

(1) An applicant will receive the lower rate provided:

(i) The applicant meets the conditions of the definition for a limited resource applicant set forth in § 1941.4 of this subpart.

(ii) The Farm and Home Plan and/or Nonagricultural Enterprise Analysis, when appropriate, indicates that installments at the higher rate, along with other debts, cannot be paid during the period of the plan.